

INDUSTRIAL SURVEY

New Niches Spawns of Progress

It is difficult to define precisely what is meant by "new business." If a new business is defined simply as one offering something new in the substance or provision of goods or services, the range becomes very wide indeed.

Generally speaking, the development of a new manufacturing business requires technological and financial resources and, in most cases, a long incubation period. In nonmanufacturing industries, the success of a new business depends greatly on innovative ideas and the ability to anticipate customer needs. There is a higher probability of success in nonmanufacturing, and the number of new businesses in the service industry catering either to individuals or to corporations has increased markedly over the past several years.

Numerous background factors affect the development of a new business. On the supply side, they include technical innovation in processes and products. On the demand side are changing needs arising from structural change in the economic and social environment. Cultivating demand in the niches left in existing business areas can also lead to new business opportunities. Rising income levels, women's advance into society, increased leisure time, the spread of higher education and the aging of the population have all worked to foster new businesses. Some strive to make life more convenient, such as housekeeping and home delivery carrier services. Others, related to sports and cultural attainment, help people pursue higher quality lives.

New services have appeared for corporations, too. Intensifying competition has created new needs to raise efficiency by subcontracting out labor-intensive work. Specialized needs have also increased in connection with informationalization and efforts to differentiate new products. There has been a flood of new businesses providing manpower placement,



Internationalization creates demand for such new businesses as language training programs.

subcontracting, consulting and information-related services to meet these corporate needs.

There are several vital points in forecasting what new businesses are likely to appear in the future. The first is new technologies in the manufacturing industry, as well as the software supported by them. Progress in communications technology, for instance, has given birth to information-oriented services using new media. Technical innovation in both hardware and software can spur a vast variety of new businesses.

The second is the appearance of new private-sector businesses in fields previously monopolized by the public sector. As is evident in medical and welfare service, the range of businesses being transferred to private hands is expanding as government seeks to curtail fiscal expenditures. At the same time, agricultural-related R&D in livestock, hydroponic farming and other areas is encouraging the creation of new businesses making use of advanced technologies in this field as well.

A third factor is progress in internationalization, including the relocation of

production bases overseas and active international exchange. Businesses catering to foreign residents in Japan and to Japanese assigned overseas, such as Japanese language schools for foreign residents in Japan and consultants helping with tie-ups with overseas enterprises, will increase in number.

A fourth element is the nuclearization of families and an increase in single-member households. These trends will lead to increasing cases of individual-oriented domestic services thus far undertaken by family members being subcontracted out to paid professionals.

And lastly is the possibility of new businesses emerging to link the management resources of two or more companies in the course of stepped-up business diversification.

The changes in the economic and social environment are taking place at dazzling speed. Each time a new technology or system is developed, it feeds the expansion of new businesses. Competition becomes even more intense, and the market more segmented, than before. The success or failure of a new business depends on whether or not there is a manager with the insight to grasp accurately changes in demand, versed thoroughly not only in technology and systems but also endowed with an enterprising spirit. The success or failure of new businesses so far has depended in the final analysis on their human resources. ●

New Businesses in the Service Industry

| | -1975 | 1976-80 | 1981 | 1982 | 1983 | 1984 | 1985 |
|----------------------------------|-------|---------|------|------|------|------|------|
| Services catering to individuals | 14 | 12 | 4 | 6 | 23 | 43 | 51 |
| Services catering to businesses | 21 | 8 | 1 | 4 | 2 | 10 | 14 |

Source: Small and Medium Enterprises Agency, "Present State of New Service Businesses"

(Masao Mori, economist)